

Message Text

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TO AMEMBASSY MANILA PRIORITY

C O N F I D E N T I A L STATE 086154

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: US - PHILIPPINE TEXTILE NEGOTIATIONS,
-- MARCH 29 THROUGH MARCH 31, 1976, WASHINGTON, D.C.

REF: STATE 58076

1. BEGIN SUMMARY - US TEXTILE NEGOTIATING TEAM, HEADED BY MINISTER MICHAEL B. SMITH, MET WITH PHILIPPINE DELEGATION LED BY ALFREDO PIO DE RODA, FROM MARCH 29 THROUGH MARCH 31. GOP DELEGATION REQUESTED INCREASES IN NON-TRADITIONAL LIMITATION LEVELS FOR FIVE APPAREL CATEGORIES. RATIONALE FOR REQUEST CENTERED ON CHOICE OF BASE PERIOD (12 MONTHS ENDING MARCH 1975) AND BASE PERIOD TRADE FIGURES. AFTER DETAILED DISCUSSION OF GOP REQUEST, STATISTICAL SUPPORT OF THAT REQUEST AND VARIOUS ALTERNATIVES SUGGESTED BY US DEL, TWO DELEGATIONS DECIDED THAT MUTUALLY ACCEPTABLE CHANGES IN AGREEMENT
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LEVELS WOULD NOT BE FEASIBLE AT THIS TIME. END SUMMARY.

2. GOP DELEGATION INDICATED INCREASES OF 19 PERCENT OVER "PEAK YEAR PERFORMANCE" FOR FIVE CATEGORIES LISTED AS FOLLOWS, WOULD BE APPROPRIATE:

CATEGORY NUMBER	PEAK PERFORMANCE
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43 NT	147,560 DOZENS
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219 NT	497,662 DOZENS
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22L NT	99,544 DOZENS
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224-1NT SUITS 293,292 POUNDS

224-2NT COATS 83,088 POUNDS

224-3NT (BASKET)	1,213,582 POUNDS
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62 NT	73,000 POUNDS
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FILIPINOS NOT-D IN INITIAL DISCUSSIONS THAT LEVELS REQUESTED FOR CATEGORIES 43 NT, 224-2NT AND 62 NT (E.G. 19 PERCENT OVER LEVELS LISTED ABOVE) WERE BELOW CURRENT AGREEMENT LEVELS AND REQUEST FOR ADDITIONAL YARDAGE IN THESE CATEGORIES WAS WITHDRAWN.

3. THE RATIONALE FOR THE REQUEST WAS PREVIOUS PERFORMANCE OR "PEAK YEAR PERFORMANCE" AND OUTSTANDING ORDERS. BOTH OF THESE CONCEPTS ARE DISCUSSED IN A DETAILED STUDY OF PHILIPPINE TEXTILE EXPORTS COMMISSIONED BY THE PHILIPPINE TEXTILE BOARD. "PEAK YEAR PERFORMANCE" IS THE TOTAL OF THE HIGHEST LEVELS OF EXPORTS FROM EACH MILL DURING 12 CONSECUTIVE MONTHS WITHIN THE PERIOD JANUARY 1973 - JULY 1975. HAVING CALCULATED "PEAK" EXPORTS IN THIS MANNER, GOP WAS ABLE TO SHOW THAT BASE YEAR SHIPPING LEVELS WERE CONSIDERABLY BELOW "PEAK YEAR PERFORMANCE". WHILE THE USG ACCORDS PAST PERFORMANCE HIGH WEIGHT IN DETERMINING LEVELS, AGREEMENT LEVELS ARE NEGOTIATED FROM A BASE PERIOD, GENERALLY THE LAST 12 MONTH PERIOD FOR WHICH STATISTICS ARE AVAILABLE AT THE TIME OF THE NEGOTIATIONS (IN THE CASE OF THE PHILIPPINE AGREEMENT, 12 MONTHS ENDING MARCH 1975.)

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4. WITH REGARD TO CATEGORIES 221 NT, 224 PART 1 NT (SUITS) AND 224 PART 3 (BASKET) MAJOR DIFFICULTY AROSE IN ATTEMPTING TO COMPARE U.S. AND PHILIPPINE DATA. ESSENTIALLY, U.S. WAS UNABLE TO RECONCILE ITS FIGURES WITH GOP CLAIMED PERFORMANCE IN COMBINED TRADITIONAL AND NON-TRADITIONAL PORTION OF CATEGORIES. PHILIPPINE DELEGATION HAD NO STATISTICS ON TRADITIONAL PART OF

THESE CATEGORIES.

5. DESPITE THESE CONCERNS U.S. INDICATED WILLINGNESS TO BE FLEXIBLE IN 221 AND 224 PT 3 AND POINTED TO LACK OF PERFORMANCE IN TRADITIONAL COUNTERPARTS. IN 221 U.S. SUGGESTED TRANSFER FROM TRADITIONAL TO NON-TRADITIONAL ;
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BASED ON COMPARABLE WEIGHTS(IVE UNITS OF INFANTS AND CHILDRENS FOR ONE UNIT OF ADULTS). IN 224 PT 3 U.S. OFFERED TRANSFER 2.5 MILLION YDS FROM TRADITIONAL TO NON-TRADITIONAL ON YARD FOR YARD BASIS. GOP TOOK U.S. PROPOSALS UNDER CONSIDERATION AND STATED THEY HAD ALSO THOUGHT OF EXCHANGE BETWEEN TRADITIONAL AND NON-TRADITIONAL PARTS OF 221. HOWEVER, GOP TRADITIONAL INDUSTRY REPS TOOK POSITION THAT YEAR WAS NOT OVER AND THAT PERFORMANCE WAS STILL POSSIBLE.

6. AFTER OVERNIGHT DELIBERATION, GOP CHAIRMAN INFORMED U.S. CHAIRMAN THAT GOP NOT INTERESTED IN EXCHANGE AT THIS TIME AND SPECULATED THAT REQUEST FOR TRANSFERS WOULD BE PURSUED IF TRADITIONAL SECTOR FAILED PERFORM.

7. COMMENT - GOP PERFORMANCE ENTIRELY LOW KEY -- CHAIRMAN DISCLAIMED INTEREST IN NEGOTIATING AT BEGINNING AND DECLINED TO NIBBLE AT U.S. EFFORTS TO EXPLORE MEANS OF MEETING PHILIPPINE OBJECTIVES WITHIN FRAMEWORK NEGOTIABLE ON U.S. SIDE. ALTHOUGH U.S. NEGOTIATING R8OM LIMITED, WE BELIEVE GOP AWARE U.S. WAS WILLING TO NEGOTIATE ON PROPOSALS MADE AND GOP COULD HAVE OBTAINED INCREASES IN NON-TRADITIONAL LEVELS IF HAD WISHED PURSUE THEM AT COST OF SOME YARDAGE ON TRADITIONAL SIDE. U.S. DOES NOT FULLY UNDERSTAND GOP DECISION NOT PURSUE EXCHANGE, BUT REGARDS CONCLUSIONS OF TALKS AS FRIENDLY AND WOULD BE CONFIDENTIAL

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PREPARED DISCUSS ISSUES FURTHER IF GOP DESIRES. KISSINGER

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